AUDITOR GENERAL
Alberta

Office of the Ethics Commissioner

Financial Statements

As at March 31, 1999

101-01479/

Office of the Ethics Commissioner

Financial Statements

As at March 31, 1999

OFFICE OF THE ETHICS COMMISSIONER

FINANCIAL STATEMENTS

AS AT MARCH 31, 1999

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AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Chairman, Select Standing Committee on Legislative Offices

I have audited the statement of financial position of the Office of the Ethics Commissioner as at March 31, 1999 and the statements of changes in net liabilities, operations, and changes in financial position for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine FCA
Auditor General

Edmonton, Alberta
February 25, 2000

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1999

	1999	1998
ASSETS		
Capital assets (Note 4)	$ -	$ 1,018
	$ -	$ 1,018
LIABILITIES AND NET LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,993	$ 4,282
Accrued vacation pay	11,782	13,949
	15,775	18,231
Long-term disability insurance liability (Note 5)	186	588
Pension liability (Note 6)	13,390	20,534
	13,576	21,122
Net liabilities	(29,351)	(38,335)
	$ -	$ 1,018

The accompanying notes and schedule are part of these financial statements.

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF CHANGES IN NET LIABILITIES

FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Net liabilities at beginning of year	$ (38,335)	$ (60,301)
Net operating results	(131,077)	(118,345)
Net transfer from general revenues	140,061	140,311
Net liabilities at end of year	$ (29,351)	$ (38,335)

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1999

	1999		1998
	Budget (Note 7)	Actual	Actual
Revenues			
Contribution from Alberta Public Works, Supply and Services for accommodation provided at no charge		$ 10,022	$ 6,767
Expenses			
Voted			
Salary and benefits		123,234	118,183
Supplies and services		16,538	17,181
	$ 197,732	139,772	135,364
Non-budgetary			
Accommodation costs		10,022	6,767
Amortization of capital assets		1,018	2,035
		11,040	8,802
Valuation adjustments			
Provision for (reduction in) vacation pay		(2,167)	911
Reduction in long-term disability insurance liability (Note 5)		(402)	(10,182)
Reduction in pension liability		(7,144)	(9,783)
		(9,713)	(19,054)
		141,099	125,112
Net operating results		$ (131,077)	$ (118,345)

OFFICE OF THE ETHICS COMMISSIONER

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Operating transactions		
Net operating results	$ (131,077)	$ (118,345)
Add non-cash charges		
Amortization of capital assets	1,018	2,035
Decrease in accounts payable and accrued liabilities	(289)	(4,947)
Increase (decrease) in accrued vacation pay	(2,167)	911
Decrease in long-term disability insurance liability	(402)	(10,182)
Decrease in pension liability	(7,144)	(9,783)
Cash used by operating transactions	(140,061)	(140,311)
Financing transactions		
Net transfer from general revenues	140,061	140,311
Net cash provided	-	
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

OFFICE OF THE ETHICS COMMISSIONER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999

Note 1 Authority

The Office of the Ethics Commissioner (the "Office") is operated under the authority of the Conflicts of Interest Act. The cost of the operations of the Office is borne by the General Revenue Fund of the Province of Alberta. Annual operating budgets are approved by the Select Standing Committee on Legislative Offices.

Note 2 Purpose

The Office of the Ethics Commissioner enhances public confidence in the integrity of Members of the Legislative Assembly and of the public service of Alberta by providing advice and guidance to Members and senior officials regarding their private interests in relation to their public responsibilities, by investigations into allegations of conflicts of interest against Members, and by promoting the understanding by Members, senior officials, and the public of the obligations regarding conflict of interest contained in legislation or directive.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

a) Reporting Entity

The reporting entity is the Office of the Ethics Commissioner, for which the Ethics Commissioner is responsible.

The Office operates within the General Revenue Fund (the "Fund"). The Fund is administrated by the Provincial Treasurer. All revenues of the Office are deposited into the Fund and all disbursements by the Office are paid from the Fund. Net transfers to/from general revenues is the difference between all cash receipts and all cash disbursements made.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

Expenses

Expenses represent the costs of resources consumed during the year on the Office's operations.

Pension expense included as part of the employer's share of employee benefits, or as a valuation adjustment to record the change in pension liability, comprises:

(i) the cost of pension benefits earned by employees during the year,
(ii) interest on the Office's share of the unfunded pension liability,
(iii) amortization of deferred adjustments over the expected average remaining service life of employees,
(iv) adjustments to the pension obligation in the event that there is reasonable assurance that a gain or loss has been realized, and
(v) the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets and liabilities at their net recoverable or other appropriate value.

Assets

Amortization is calculated on a straight-line basis, over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting (continued)

The Office follows government budgetary practices which allow funds from an operating budget to be used to purchase capital assets costing less than $15,000. These purchases are included in expenses on the statement of operations, but are then removed from expenses through a non-budgetary adjustment and are capitalized and amortized over their useful lives.

Liabilities

Liabilities include all financial claims payable by the Office at fiscal year end, including long term disability benefits and certain pension benefits.

Net Liabilities

Net liabilities represents the difference between the value of assets held by the Office and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts payable and accrued liabilities are estimated to approximate their book values.

Note 4 Capital Assets

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	$ 6,106	$ 6,106	$ -	$ 1,018

Note 5 Long-Term Disability Insurance Liability

The Office participates with government departments in long-term disability insurance. The Office's portion of this liability was based on the Office's percentage of the total salaries of all government departments in the plan. During the current year, the Province paid approximately $102 million into the long-term disability insurance fund and, as a result, there was a significant reduction in the liability at March 31, 1999.

Note 6 Pension Liability

The Office participates with other employers in the Management Employees Pension Plan (the Plan). This plan provides pensions for the Office's employees based on years of service and earnings.

The total unfunded pension liability as at March 31, 1999 was determined by actuarial valuation as at December 31, 1997 extrapolated to March 31, 1999. The 1998 comparative was determined by extrapolation to March 31, 1998 of an actuarial valuation as at December 31, 1996.

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the Pension Board's best estimate of future events. The Plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations Gains and losses which relate to the long-term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized as income immediately.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability which will be funded by employers in the Plan. The Office's portion of the employers' liability was based on the Office's percentage of the total pensionable payroll of all employers in the Plan.

Note 7 Budget

Expenses	
1998-99 budget[a]	$ 197,732
Voted supplementary[b]	-
1998-99 authorized budget	197,732
1997-98 actual expenses (excluding valuation adjustments)	(139,772)
1997-98 unexpended (excluding valuation adjustments)	$ 57,960

(a) Legislative Assembly Estimates released on February 12, 1998.
(b) Supplementary Estimates released on March 17, 1998.

Note 8 Related Party Transactions

The Office paid PSC Payment Systems Corporation (PSC) $347 for computer processing. The Province of Alberta was a joint venture participant in PSC until March 31, 1999.

The Office and its employees paid certain taxes and fees set by regulation for permits, licenses, and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Note 9 Contingent Liabilities

There is currently a lawsuit pending, which amounts to $1,270,000 and has been filed against the Commissioner by a Member of the Legislative Assembly. The resulting loss, if any, from this claim cannot be determined.

Note 10 Approval of Financial Statements

These financial statements were approved by the Ethics Commissioner.

Schedule 1

OFFICE OF THE ETHICS COMMISSIONER
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 1999

	1999				1998	
	Full-time Equivalents	Salary [1]	Benefits and Allowances [2]	Total	Full-time Equivalents	Total
Senior official						
Ethics Commissioner[3]	0.3	$ 44,625	$ 2,757	$ 47,382	0.4	$ 46,510

(1) Salary includes regular base pay, bonuses, lump sum payments and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, professional memberships, moving expenses and tuition.

(3) Mr. Robert Clark fulfills the position of Ethics Commissioner and is also the Information and Privacy Commissioner. Position is part-time and salary includes contract payments and payment of 9% of salary in lieu of participation in the Management Employees Pension Plan. Automobile is provided, but not included in benefits calculations.